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A REGISTERED LIMITED LIABILITY PARTNERSHIP

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*Established 1916*

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November 21, 2001

VIA FEDERAL EXPRESS

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AMEP-Z.76117

Mr. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Re: **AMERICAN ELECTRIC POWER  
\$450,000,000 APPLICATION FOR FINANCING  
FOR YEAR 2002**

<b>PAID T.R.A.</b>	
Chk #	<u>038102</u>
Amount	<u>25.00</u>
Rcvd By	<u>JP</u>
Date	<u>11-26-01</u>

01-01028

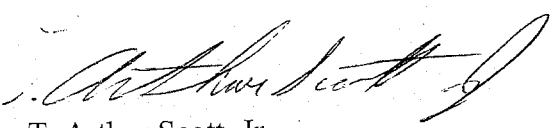
Dear Mr. Waddell:

In connection with this matter, please find enclosed one original and thirteen conformed copies of the above referenced application including Exhibits A, B, C and D and Verification. Also, please find our check in the amount of \$25.00 for filing same. We have enclosed an additional copy which we would appreciate your returning when it has been time-stamped as received by your office. We have enclosed a self-addressed stamped envelope for this purpose.

If you should have any questions regarding the application, please contact the undersigned.

Sincerely yours,

HUNTER, SMITH & DAVIS, LLP

  
T. Arthur Scott, Jr.

Enclosures

Before the  
TENNESSEE REGULATORY AUTHORITY

In the Matter of the:

APPLICATION :  
of :  
APPALACHIAN POWER COMPANY :

DOCKET No. 01-01028

TO THE HONORABLE TENNESSEE REGULATORY AUTHORITY:

1. Your petitioner, Appalachian Power Company ("Appalachian"), respectfully shows that:

(a) It is a corporation duly organized and existing under the laws of the Commonwealth of Virginia, having its principal office in said Commonwealth in the City of Roanoke, and is properly qualified to transact business in the State of Tennessee.

(b) A true copy of its Restated Articles of Incorporation was filed with your Honorable Authority in Docket No. U-6533.

(c) Appalachian maintains its principal office in the State of Tennessee in the City of Kingsport, Sullivan County.

2. With the consent and approval of the Virginia State Corporation Commission and the further consent and approval of your Honorable Authority, Appalachian proposes to issue and sell, from time to time through December 31, 2002, secured or unsecured promissory notes ("Notes") in the aggregate principal amount of up to \$450,000,000. The Notes may be issued in the form of either First Mortgage Bonds, Senior or Subordinated Debentures (including Junior Subordinated Debentures) or other unsecured promissory notes. In addition, Appalachian proposes

to issue one or more unsecured promissory notes ("AEP Notes") to its parent, American Electric Power Company, Inc., or any other affiliate owning all of the common equity of Appalachian (collectively, "AEP"), provided that the aggregate amount of Notes and AEP Notes issued will not exceed \$450,000,000.

The Notes will mature in not less than nine months and not more than 50 years. The interest rate of the Notes may be fixed or variable and will be sold (i) by competitive bidding; (ii) through negotiation with underwriters or agents; or (iii) by direct placement with a commercial bank or other institutional investor. Any fixed rate Note will be sold by Appalachian at a yield to maturity which shall not exceed by more than 300 basis points the yield to maturity on United States Treasury obligations of comparable maturity at the time of pricing. The initial interest rate on any variable rate Note will not exceed 10% per annum. Appalachian will agree to specific redemption provisions, if any, including redemption premiums, at the time of the pricing. If it is deemed advisable, the Notes may be provided some form of credit enhancement, including but not limited to a letter of credit, bond insurance, standby purchase agreement or surety bond. The interest rates and maturity dates of any AEP Notes would be designed to parallel the cost of the capital of AEP in accordance with the Public Utility Holding Company Act of 1935, as amended. In addition, the interest rate and maturity parameters governing the Notes would apply to the AEP Notes.

In connection with the sale of unsecured Notes, Appalachian may agree to restrictive covenants which would prohibit it from, among other things: (i) creating or permitting to exist any liens on its property, with certain stated exceptions; (ii) creating indebtedness except as specified therein; (iii) failing to maintain a specified financial condition; (iv) entering into certain mergers, consolidations and dispositions of assets; and (v) permitting certain events to occur in connection

with pension plans. In addition, Appalachian may permit the holder of the Notes to require Appalachian to prepay them after certain specified events, including an ownership change.

Appalachian may have the right to defer payment of interest on the Junior Subordinated Debentures for up to five years. However, Appalachian may not declare and pay dividends on its outstanding stock if payments under the Junior Subordinated Debentures are deferred. The payment of principal, premium and interest on Junior Subordinated Debentures will be subordinated in right of payment to the prior payment in full of senior indebtedness.

The First Mortgage Bonds will be issued under and secured by the Mortgage and Deed of Trust, dated as of December 1, 1940, made by Appalachian to Bankers Trust Company and R. Gregory Page, as Trustees, as previously supplemented and amended (on file in Docket Nos. 2460, 2855, U-3044, U-3178, U-3321, U-3468, U-3973, U-4163, U-4524, U-5069, U-5255, U-5319, U-5394, U-5547, U-5646, U-5732, U-5800, U-5893, U-6134, U-6139, U-6266, U-6321, U-6360, U-6533, U-6761, U-6791, U-6885, U-6984, U-82-7153, U-83-7257, U-86-7481, U-87-7519, 89-11869, 91-05060, 91-08689, 92-13376, 93-01795, 93-06777, 94-00634, 95-03239, 96-01247, 97-07499, 98-00753, 99-00835 and 00-00985), and as to be further supplemented and amended by one or more Supplemental Indentures. A copy of the most recent Supplemental Indenture for First Mortgage Bonds utilized by Appalachian is attached as Exhibit A. It is proposed that a similar form of Supplemental Indenture be used for one or more series of the First Mortgage Bonds (except for provisions such as interest rate, maturity, redemption terms and certain administrative matters).

The Junior Subordinated Debentures will be issued under an Indenture, dated as of September 1, 1996, (on file in Docket No. 98-00753), as previously supplemented and amended, and as to be further supplemented and amended by one or more Supplemental Indentures. A copy

of the most recent Supplemental Indenture for Junior Subordinated Debentures utilized by Appalachian is attached as Exhibit B. It is proposed that a similar form of Supplemental Indenture be used for one or more series of the Junior Subordinated Debentures (except for provisions such as interest rate, maturity, redemption terms and certain administrative matters).

The unsecured Notes (other than Junior Subordinated Debentures) will be issued under an Indenture dated as of January 1, 1998, (on file in Docket No. 98-00753), as previously supplemented and amended, and as to be further supplemented and amended by one or more Supplemental Indentures or Company Orders. A copy of the most recent Company Order utilized by Appalachian is attached hereto as Exhibit C. It is proposed that a similar form of Company Order or a Supplemental Indenture be used for one or more series of the unsecured Notes other than Junior Subordinated Debentures (except for provisions such as interest rate, maturity, redemption terms and certain administrative matters).

3. Appalachian may enter into, from time to time through December 31, 2002, one or more interest rate hedging arrangements, including, but not limited to, a treasury lock agreement, treasury put option or interest rate collar agreement ("Treasury Hedge Agreement") to protect against future interest rate movements in connection with the issuance of the Notes and/or AEP Notes. Each Treasury Hedge Agreement will correspond to one or more Notes and/or AEP Notes that Appalachian will issue pursuant to this Application, accordingly, the aggregate corresponding principal amounts of all Treasury Hedge Agreements cannot exceed \$450,000,000. The term of any Treasury Hedge Agreement may not exceed 90 days.

\* \* \*

4. Any proceeds realized from the sale of the Notes and/or AEP Notes, together with any other funds which may become available to Appalachian, will be used to redeem directly or indirectly long-term debt, to refund directly or indirectly preferred stock, to repay short-term debt at or prior to maturity, to reimburse Appalachian's treasury for expenditures incurred in connection with its construction program and for other corporate purposes. Appalachian's First Mortgage Bonds, 7.80% Series due 2023 (\$30,237,000 principal amount outstanding) may be redeemed at a regular redemption price of 104.68% (104.29% at May 1, 2002) of the principal amount thereof; the First Mortgage Bonds, 7.38% Series due 2002 (\$50,000,000 principal amount outstanding) may be redeemed at a regular redemption price of 100.00% of the principal amount thereof; the First Mortgage Bonds, 7.15% Series due 2023 (\$20,000,000 principal amount outstanding) may be redeemed at a regular redemption price of 104.29% (103.94% at November 1, 2002) of the principal amount thereof; the First Mortgage Bonds, 6.85% Series due 2003 (\$30,000,000 principal amount outstanding) may be redeemed at a regular redemption price of 100.00% of the principal amount thereof; the First Mortgage Bonds, 6.65% Series due 2003 (\$40,000,000 principal amount outstanding) may be redeemed at a regular redemption price of 100.00% of the principal amount thereof; the First Mortgage Bonds, 6.00% Series due 2003 (\$30,000,000 principal amount outstanding) may be redeemed at a regular redemption price of 100.00% of the principal amount thereof; the First Mortgage Bonds, 6.80% Series due 2006 (\$100,000,000 principal amount outstanding) may be redeemed at a regular redemption price of 100.00% of the principal amount thereof; 8.25% Junior Subordinated Debentures due 2026 (\$75,000,000 principal amount outstanding) may be redeemed at a regular redemption price of 100.00% of the principal amount thereof; and 8.00% Junior Subordinated Debentures due 2027 (\$90,000,000 principal amount outstanding) may be redeemed at a regular redemption price of 100.00% of the principal amount

thereof. The redemptions will occur if Appalachian considers that the payment of the premiums of 4.68% and 4.29%, respectively, is prudent in light of the substantial amounts of interest expense that could be saved by early redemption of one or all of these series. In addition, Appalachian estimates that approximately \$250,000,000 (exclusive of allowance for funds used during construction) will be expended in 2002 in connection with its construction program.

Appalachian may purchase the series of first mortgage bonds and junior subordinated debentures referred to herein or any other series of indebtedness or any series of preferred stock through tender offer, negotiated, open market or other form of purchase or otherwise in addition to redemption, if they can be refunded at a lower effective cost.

The tender offers will occur if Appalachian considers that the payment of the necessary premium is prudent in light of the substantial amounts of interest expense that could be saved by early redemption of any of these series.

5. Balance Sheets and Statements of Income and Retained Earnings for the twelve months ended September 30, 2001 are attached hereto as Exhibit D.

6. The proposed issuance, sale and delivery of the Notes and/or AEP Notes will be effected in accordance with law and in compliance with all applicable indenture, charter and other standards relating to debt and equity securities and capitalization ratios of Appalachian.

7. No franchise or right is to be capitalized directly or indirectly by Appalachian except as may be authorized by your Authority.

WHEREFORE, your Petitioner respectfully prays that your Honorable Authority enter an order (1) consenting to and approving the issuance, sale and delivery by Appalachian of up to \$450,000,000 aggregate principal amount of First Mortgage Bonds as in this Application proposed, to be secured by its Mortgage and Deed of Trust, dated as of December 1, 1940, as amended and supplemented and as to be further amended and supplemented by one or more new Supplemental Indentures in substantially the form filed as an exhibit hereto or similar documentation; and in the alternative, the issuance and sale by Appalachian of up to \$450,000,000 principal amount of Senior or Subordinated Debentures (including Junior Subordinated Debentures) or other unsecured promissory notes pursuant to their respective Indentures and company orders in substantially the form filed as exhibits hereto or similar documentation; and (2) granting to your Petitioner such other, further or general relief as, in the judgment of your Honorable Authority, your Petitioner may be entitled to have upon the facts hereinabove set forth.

APPALACHIAN POWER COMPANY

By /s/ Geoffrey S. Chatas  
Assistant Treasurer

Dated: November 6, 2001

Attorneys for Applicant:

/s/ T. Arthur Scott, Jr.  
T. Arthur Scott, Jr., Esq.  
Hunter, Smith & Davis  
P.O. Box 3740  
Kingsport, TN 37664  
TN BPR #000749

/s/ William E. Johnson  
William E. Johnson, Esq.  
American Electric Power Service Corporation  
P.O. Box 16631  
Columbus, OH 43216-6631

STATE OF OHIO                    )  
                                          ) ss:  
COUNTY OF FRANKLIN        )

Before me, Mary M. Soltesz, a Notary Public in and for the State and County aforesaid, this 16<sup>th</sup> day of November, 2001, personally appeared Geoffrey S. Chatas, to me known to be the person whose name is signed to the foregoing Application, and after being first duly sworn made oath and said that he is an Assistant Treasurer of Appalachian Power Company, that he has read the Application and know the contents thereof, that the allegations therein are true and correct to the best of his knowledge, information and belief, and that he is duly authorized to make, verify and file the Application for Appalachian Power Company.

Subscribed and sworn to before me this 16<sup>th</sup> day of November, 2001.

/s/ Mary M. Soltesz  
Notary Public

My Commission expires 7-13-04

Before the

TENNESSEE REGULATORY AUTHORITY

In the Matter of the

:

APPLICATION

:

DOCKET NO 01-

:

of

:

APPALACHIAN POWER COMPANY

VERIFICATION

I, Geoffrey S. Chatas, am authorized to represent Appalachian Power Company and to make this verification on its behalf. The statements in the Application of Appalachian Power Company filed in this docket today are true and of my own knowledge, except as to matters which are stated therein on information and belief, and as to those matters, I believe them to be true. Appalachian Power Company will comply with all applicable laws with respect to its issuance of securities to the public. I declare under penalty of perjury that the foregoing is true and correct.

APPALACHIAN POWER COMPANY

By:

  
Assistant Treasurer

STATE OF OHIO

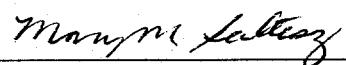
:

COUNTY OF FRANKLIN

:ss.

Subscribed and sworn before me this 16<sup>th</sup> day of November, 2001.

By:

  
Notary Public

My commission expires 07-13-04

EXECUTED IN 120 COUNTERPARTS OF  
WHICH THIS IS COUNTERPART NO. 120

Indenture Supplemental

TO

Mortgage and Deed of Trust  
(Dated as of December 1, 1940)

Executed by

APPALACHIAN POWER COMPANY  
formerly Appalachian Electric Power Company

TO

BANKERS TRUST COMPANY,  
As Trustee

Dated as of May 1, 1997

\$48,000,000 First Mortgage Bonds,  
Designated Secured Medium Term Notes,  
6.71% Series due June 1, 2000

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\*The Table of Contents shall not be deemed to be any part of the Indenture Supplemental to Mortgage and Deed of Trust.

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**SUPPLEMENTAL INDENTURE**, dated as of the first day of May in the year One Thousand Nine Hundred and Ninety-seven, made and entered into by and between APPALACHIAN POWER COMPANY, a corporation of the Commonwealth of Virginia, the corporate title of which was, prior to April 17, 1958, APPALACHIAN ELECTRIC POWER COMPANY (hereinafter sometimes called the "Company"), a transmitting utility (as such term is defined in Section 46-9-105(1)(n) of the West Virginia Code), party of the first part, and BANKERS TRUST COMPANY, a corporation of the State of New York (hereinafter sometimes called the "Corporate Trustee" or "Trustee"), as Trustee, party of the second part.

WHEREAS, the Company has heretofore executed and delivered its Mortgage and Deed of Trust (hereinafter sometimes referred to as the "Mortgage"), dated as of December 1, 1940, to the Trustee for the security of all bonds of the Company outstanding thereunder, and by said Mortgage conveyed to the Trustee, upon certain trusts, terms and conditions, and with and subject to certain provisos and covenants therein contained, all and singular the property, rights and franchises which the Company then owned or should thereafter acquire, excepting any property expressly excepted by the terms of the Mortgage; and

WHEREAS, the Company has heretofore executed and delivered to the Trustee supplements and indentures supplemental to the Mortgage, dated as of December 1, 1943, December 2, 1946, December 1, 1947, March 1, 1950, June 1, 1951, October 1, 1952, December 1, 1953, March 1, 1957, May 1, 1958, October 2, 1961, April 1, 1962, June 1, 1965, September 2, 1968, December 1, 1968, October 1, 1969, June 1, 1970, October 1, 1970, September 1, 1971, February 1, 1972, December 1, 1972, July 1, 1973, March 1, 1974, April 1, 1975, May 1, 1975, December 1, 1975, April 1, 1976, September 1, 1976, November 1, 1977, May 1, 1979, August 1, 1979, February 1, 1980, November 1, 1980, April 1, 1982, October 1, 1983, February 1, 1987, September 1, 1987, November 1, 1989, December 1, 1990, August 1, 1991, February 1, 1992, May 1, 1992, August 1, 1992, November 15, 1992, April 15, 1993, May 15, 1993, October 1, 1993, November 1, 1993, August 15, 1994, October 1, 1994, March 1, 1995, May 1, 1995, June 1, 1995, March 1, 1996 and February 1, 1997 (hereinafter referred to as the "First 1997 Supplemental Indenture"), respectively, amending and supplementing the Mortgage in certain respects (the Mortgage, as so amended and supplemented, being hereinafter called the "Original Indenture") and conveying to the Trustee, upon certain trusts, terms and conditions, and with and subject to certain provisos and covenants therein contained, certain property rights and property therein described; and

WHEREAS, effective October 7, 1988, pursuant to Section 115 of the Original Indenture, the Individual Trustee resigned and all powers of the Individual Trustee then terminated, as did the Individual Trustee's right, title or interest in and to the trust estate, and without appointment of a new trustee as successor to

the Individual Trustee, all the right, title and powers of the Trustee thereupon devolved upon the Corporate Trustee and its successors alone; and

WHEREAS, the Original Indenture provides that bonds issued thereunder may be issued in one or more series and further provides that, with respect to each series, the rate or rates of interest, the date or dates of maturity, the dates for the payment of interest, the terms and rates of optional redemption, and other terms and conditions not inconsistent with the Original Indenture may be established, prior to the issue of bonds of such series, by an indenture supplemental to the Original Indenture; and

WHEREAS, Section 132 of the Original Indenture provides that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Original Indenture, whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and that the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued under the Original Indenture and provide that a breach thereof shall be equivalent to a default under the Original Indenture, or the Company may cure any ambiguity or correct or supplement any defective or inconsistent provisions contained in the Original Indenture or in any indenture supplemental to the Original Indenture, by an instrument in writing, executed and acknowledged, and that the Trustee is authorized to join with the Company in the execution of any such instrument or instruments; and

WHEREAS, the Company has heretofore issued, in accordance with the provisions of the Mortgage, as amended and supplemented as of the respective dates thereof, bonds of the series (which are outstanding), entitled and designated as hereinafter set forth, in the respective original aggregate principal amounts indicated:

<u>Series</u>		<u>Amount</u>
First Mortgage Bonds, 7.00%	Series due 1999. . .	\$30,000,000
First Mortgage Bonds, 6.35%	Series due 2000. . .	48,000,000
First Mortgage Bonds, 6-3/8%	Series due 2001. . .	100,000,000
First Mortgage Bonds, 7.95%	Series due 2002. . .	60,000,000
First Mortgage Bonds, 7.38%	Series due 2002. . .	50,000,000
First Mortgage Bonds, 7.40%	Series due 2002. . .	30,000,000
First Mortgage Bonds, 6.65%	Series due 2003. . .	40,000,000
First Mortgage Bonds, 6.85%	Series due 2003. . .	30,000,000
First Mortgage Bonds, 6.00%	Series due 2003. . .	30,000,000
First Mortgage Bonds, 7.70%	Series due 2004. . .	21,000,000

First Mortgage Bonds,	7.85%	Series due 2004.	50,000,000
First Mortgage Bonds,	8.00%	Series due 2005.	50,000,000
First Mortgage Bonds,	6.89%	Series due 2005.	30,000,000
First Mortgage Bonds,	6.80%	Series due 2006.	100,000,000
First Mortgage Bonds,	8.75%	Series due 2022.	50,000,000
First Mortgage Bonds,	8.70%	Series due 2022.	40,000,000
First Mortgage Bonds,	8.43%	Series due 2022.	50,000,000
First Mortgage Bonds,	8.50%	Series due 2022.	70,000,000
First Mortgage Bonds,	7.80%	Series due 2023.	40,000,000
First Mortgage Bonds,	7.90%	Series due 2023.	30,000,000
First Mortgage Bonds,	7.15%	Series due 2023.	30,000,000
First Mortgage Bonds,	7.125%	Series due 2024.	50,000,000
First Mortgage Bonds,	8.00%	Series due 2025.	50,000,000

and

WHEREAS, the Company, by appropriate corporate action in conformity with the terms of the Original Indenture, has duly determined to create a series of bonds under the Original Indenture to be designated as "First Mortgage Bonds, Designated Secured Medium Term Notes, 6.71% Series due June 1, 2000" (hereinafter sometimes referred to as the "bonds of the 62nd Series"); and

WHEREAS, each of the bonds of the 62nd Series is to be substantially in the form set forth in Schedule I to this Supplemental Indenture (hereinafter sometimes referred to as the "Second 1997 Supplemental Indenture"); and

WHEREAS, the Company, in the exercise of the powers and authorities conferred upon and reserved to it under and by virtue of the provisions of the Original Indenture, and pursuant to resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee a supplemental indenture, in the form hereof, for the purposes herein provided; and

WHEREAS, all conditions and requirements necessary to make this Second 1997 Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done, performed and fulfilled, and the execution and delivery thereof have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That Appalachian Power Company, in consideration of the premises and of the purchase and acceptance of the bonds by the holders thereof and of the sum of One Dollar (\$1.00) and other good and valuable consideration paid to it by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order to secure the payment of both

the principal of and interest and premium, if any, on the bonds from time to time issued under and secured by the Original Indenture and this Second 1997 Supplemental Indenture, according to their tenor and effect, and the performance of all the provisions of the Original Indenture and this Second 1997 Supplemental Indenture (including any further indenture or indentures supplemental to the Original Indenture and any modification or alteration made as in the Original Indenture provided) and of said bonds, has granted, bargained, sold, released, conveyed, transferred, mortgaged, pledged, set over and confirmed, and by these presents does grant, bargain, sell, release, convey, assign, transfer, mortgage, pledge, set over and confirm unto Bankers Trust Company, as Trustee, and to its respective successor or successors in the trust hereby created, and to its and their assigns, all the following described properties of the Company, that is to say:

All property, real, personal and mixed, tangible and intangible, and all franchises owned by the Company on the date of the execution hereof, acquired since the execution of the First 1997 Supplemental Indenture (except any hereinafter expressly excepted from the lien and operation of this Second 1997 Supplemental Indenture).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 63 of the Original Indenture) the tolls, rents, revenues, issues, earnings, income, product and profits thereof and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

Provided that, in addition to the reservations and exceptions herein elsewhere contained, the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of the Original Indenture and this Second 1997 Supplemental Indenture, viz.: (1) cash, shares of stock, and obligations (including bonds, notes and other securities) not hereinafter or in the Original Indenture specifically pledged, deposited or delivered hereunder or thereunder or hereinafter or therein covenanted so to be; (2) any goods, wares, merchandise, equipment, materials or supplies acquired for the purpose of sale or resale in the usual course of business or for consumption in the operation of any properties of the Company and automobiles and trucks; (3) all judgments, accounts, and choses in action, the proceeds of which the Company is not obligated as hereinafter

provided or as provided in the Original Indenture to deposit with the Trustee hereunder and thereunder; provided, however, that the property and rights expressly excepted from the lien and operation of the Original Indenture and this Second 1997 Supplemental Indenture in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted, in the event that the Trustee or a receiver or trustee shall enter upon and take possession of the mortgaged and pledged property in the manner provided in Article XIV of the Original Indenture by reason of the occurrence of a completed default, as defined in said Article XIV.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company as aforesaid, or intended so to be, unto the Trustee and its successors in the trust;

SUBJECT, HOWEVER, to the reservations, exceptions, conditions, limitations and restrictions contained in the several deeds, leases, servitudes, franchises and contracts or other instruments through which the Company acquired and/or claims title to and/or enjoys the use of the aforesaid properties; and subject also to encumbrances of the character defined in Section 6 of the Original Indenture as "excepted encumbrances" in so far as the same may attach to any of the property embraced herein.

Inasmuch as the Company holds certain of said lands, rights of way and other property under leases, power agreements and other contracts which provide that the Company's interest therein shall not be mortgaged without the consent of the respective lessors or other parties to said agreements and contracts, and such lessors and parties have either given such consent or have waived the requirement of such consent, it is hereby expressly agreed and made a condition upon which this Second 1997 Supplemental Indenture is executed and delivered, that the lien of this Second 1997 Supplemental Indenture and the estate, rights and remedies of the Trustee hereunder, and the rights and remedies of the holders of the bonds secured hereby and by the Original Indenture in so far as they may affect such lands, rights of way and other property now held or to be hereafter acquired by the Company under such leases, contracts or agreements, shall be subject and subordinate in all respects to the rights and remedies of the respective lessors or other parties thereto.

And it is hereby expressly covenanted and agreed as follows:

(a) That the rights of the Trustee hereunder, and of every person or corporation whatsoever claiming by reason of this Second 1997 Supplemental Indenture any right, title or interest, legal or equitable, in the property covered by any

such lease, power agreement or other contract, are and at all times hereafter shall be subject in the same manner and degree as the rights of the Company might or would at all times be subject, had this Second 1997 Supplemental Indenture not been made, to all terms, provisions, conditions, covenants, stipulations, and agreements, and to all exceptions, reservations, limitations, restrictions, and forfeitures contained in any such lease, power agreement or other contract;

(b) That any right, claim, condition or forfeiture which might at any time be asserted against the party in possession under the provisions of any such lease, power agreement or other contract, had this Second 1997 Supplemental Indenture not been made, may be asserted with the same force and effect against any and all persons or corporations at any time claiming any right, title or interest in any such property under or by reason of this Second 1997 Supplemental Indenture or of any bond hereby and by the Original Indenture secured; and

(c) That such consent or waiver of the requirement of such consent given by the lessor under any such lease or party to any such power agreement or other contract is intended and shall be construed to be solely for the purpose of permitting the Company to mortgage its property generally without violating the express covenant contained in such lease, power agreement or other contract, and that such consent or waiver of the requirement of such consent confers upon the Trustee hereunder and the holders of bonds secured hereby and by the Original Indenture no rights in addition to such as they would have had, respectively, if such consent or waiver of the requirement of such consent had not been given.

IN TRUST NEVERTHELESS, upon the terms and trusts in the Original Indenture and this Second 1997 Supplemental Indenture set forth, for the equal and pro rata benefit and security of those who shall hold the bonds and coupons issued and to be issued hereunder and under the Original Indenture, in accordance with the terms of the Original Indenture and of this Second 1997 Supplemental Indenture, without preference, priority or distinction as to lien of any of said bonds or coupons over any other thereof by reason of priority in the time of issuance or negotiation thereof, or otherwise howsoever, subject, however, to the conditions, provisions and covenants set forth in the Original Indenture and in this Second 1997 Supplemental Indenture.

AND THIS INDENTURE FURTHER WITNESSETH:

That in further consideration of the premises and for the considerations aforesaid, the Company, for itself and its successors and assigns, hereby covenants and agrees to and with the Trustee, and its successor or successors in such trust, under the Original Indenture, as follows:

Section 1. The Original Indenture is hereby supplemented by adding immediately after Section 20HHH, a new Section 20III, as follows:

SECTION 20III. The Company hereby creates a sixty-second series of bonds to be issued under and secured by this Indenture, to be designated and to be distinguished from the bonds of all other series by the title "First Mortgage Bonds, Designated Secured Medium Term Notes, 6.71% Series due June 1, 2000" (herein sometimes referred to as the "bonds of the 62nd Series"). The form of the bonds of the 62nd Series shall be substantially as set forth in Schedule I to the Second 1997 Supplemental Indenture.

Bonds of the 62nd Series shall mature on the date specified in their title. Unless otherwise determined by the Company, the bonds of the 62nd Series shall be issued in fully registered form without coupons in denominations of \$1,000 and in integral multiples thereof; the principal of and premium (if any) and interest on each said bond to be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, in lawful money of the United States of America, provided that at the option of the Company interest may be mailed to registered owners of the bonds at their respective addresses that appear on the register thereof; and the rate of interest shall be the rate per annum specified in the title thereof, payable semi-annually on the first days of April and October of each year (commencing October 1, 1997) and on their maturity date.

The person in whose name any bond of the 62nd Series is registered at the close of business on any record date (as hereinbelow defined) with respect to any regular semi-annual interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding the cancellation of such bond of the 62nd Series upon any registration of transfer or exchange thereof subsequent to the record date and prior to such interest payment date, except, if and to the extent that the Company shall default in the payment of the interest due on such interest payment date, then the registered owners of bonds of the 62nd Series on such record date shall have no further right to or claim in respect

of such defaulted interest as such registered owners on such record date, and the persons entitled to receive payment of any defaulted interest thereafter payable or paid on any bonds of the 62nd Series shall be the registered owners of such bonds of the 62nd Series (or any bond or bonds issued, directly or after intermediate transactions upon transfer or exchange or in substitution thereof) on the date of payment of such defaulted interest. Interest payable upon maturity shall be payable to the person to whom the principal is paid. The term "record date" as used in this Section 20III, and in the form of the bonds of the 62nd Series, with respect to any regular semi-annual interest payment date applicable to the bonds of the 62nd Series, shall mean the March 15 next preceding an April 1 interest payment date or the September 15 next preceding an October 1 interest payment date, as the case may be, or, if such March 15 or September 15 is not a Business Day (as defined hereinbelow), the next preceding Business Day. The term "Business Day" with respect to any bond of the 62nd Series shall mean any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in The City of New York, New York or the city in which is located any office or agency maintained for the payment of principal of or premium, if any, or interest on such bond of the 62nd Series are authorized or required by law, regulation or executive order to remain closed.

Every registered bond of the 62nd Series shall be dated the date of authentication ("Issue Date") and shall bear interest computed on the basis of a 360-day year consisting of twelve 30-day months from its Issue Date or from the latest semi-annual interest payment date to which interest has been paid on the bonds of the 62nd Series preceding the Issue Date, unless such Issue Date be an interest payment date to which interest is being paid on the bonds of the 62nd Series, in which case it shall bear interest from its Issue Date or unless the Issue Date be the record date for the interest payment date first following the date of original issuance of bonds of the 62nd Series (the "Original Issue Date"), or a date prior to such record date, then from the Original Issue Date; provided that, so long as there is no existing default in the payment of interest on said bonds, the owner of any bond authenticated by the Corporate Trustee between the record date for any regular semi-annual interest payment date and such interest payment date shall not be entitled to the payment of the interest due on such interest payment date and shall have no claim against the Company with respect thereto; provided further, that, if and to the extent the Company shall default in the payment of the interest due on such interest payment date, then any such bond shall bear interest from the April 1 or October 1, as the case may be, next preceding its

Issue Date, to which interest has been paid or, if the Company shall be in default with respect to the interest payment date first following the Original Issue Date, then from the Original Issue Date.

If any semi-annual interest payment date or the maturity date is not a Business Day, payment of amounts due on such date may be made on the next succeeding Business Day, and, if such payment is made or duly provided for on such Business Day, no interest shall accrue on such amounts for the period from and after such interest payment date or the maturity date, as the case may be, to such Business Day.

Notwithstanding the provisions of Section 14 of this Indenture, the bonds of the 62nd Series shall be executed on behalf of the Company by its Chairman of the Board, by its President or by one of its Vice Presidents or by one of its officers designated by the Board of Directors of the Company for such purpose, whose signature may be a facsimile, and its corporate seal shall be thereunto affixed or printed thereon and attested by its Secretary or one of its Assistant Secretaries, and the provisions of the penultimate sentence of said Section 14 shall be applicable to such bonds of the 62nd Series.

The bonds of the 62nd Series are not redeemable prior to their maturity.

Notwithstanding the provisions of Section 12 of this Indenture, the Company shall not be required to make transfers or exchanges of bonds of the 62nd Series for a period of fifteen days next preceding any interest payment date.

Registered bonds of the 62nd Series shall be transferable upon presentation and surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The City of New York, and at such other office or agency of the Company as the Company may from time to time designate, by the registered owners thereof, in person or by duly authorized attorney, in the manner and upon payment, if required by the Company, of the charges prescribed in this Indenture. In the manner and upon payment, if required by the Company, of the charges prescribed in this Indenture, registered bonds of the 62nd Series may be exchanged for a like aggregate principal amount of registered bonds of the 62nd Series of other authorized denominations, upon presentation and surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The City of New York, or at such other office or agency of the Company as the Company may from time to time designate.

Section 2.        *Initial Issuance of the Bonds of the 62nd Series:*

In accordance with and upon compliance with such provisions of the Original Indenture as shall be selected for such purpose by the officers of the Company duly authorized to take such action, bonds of the 62nd Series, in an aggregate principal amount not exceeding \$48,000,000, shall forthwith be executed by the Company and delivered to the Trustee and shall be authenticated by the Trustee and delivered to or upon the order of the Company (without awaiting the filing and recording of this Second 1997 Supplemental Indenture except to the extent required by subdivision (10) of Section 29 of the Original Indenture).

Section 3.        At any meeting of bondholders held as provided for in Article XX of the Original Indenture at which owners of bonds of the 62nd Series are entitled to vote, all owners of bonds of the 62nd Series at the time of such meeting shall be entitled to vote thereat; provided, however, that the Trustee may, and upon request of the Company or of a majority of the bondowners of the 62nd Series, shall, fix a day not exceeding ninety days preceding the date for which the meeting is called as a record date for the determination of owners of bonds of the 62nd Series, entitled to notice of and to vote at such meeting and any adjournment thereof and only such registered owners who shall have been such registered owners on the date so fixed, and who are entitled to vote such bonds of the 62nd Series at the meeting, shall be entitled to receive notice of such meeting.

Section 4.        As supplemented by this Second 1997 Supplemental Indenture, the Original Indenture is in all respects ratified and confirmed and the Original Indenture and this Second 1997 Supplemental Indenture shall be read, taken and construed as one and the same instrument. The bonds of the 62nd Series are the original debt secured by this Second 1997 Supplemental Indenture and the Original Indenture, and this Second 1997 Supplemental Indenture and the Original Indenture shall be, and shall be deemed to be, the original lien instrument securing the bonds of the 62nd Series.

Section 5.        Nothing contained in this Second 1997 Supplemental Indenture shall, or shall be construed to, confer upon any person other than the owners of bonds issued under the Original Indenture and this Second 1997 Supplemental Indenture, the Company and the Trustee, any right to avail themselves of any benefit of any provision of the Original Indenture or of this Second 1997 Supplemental Indenture.

Section 6.        This Second 1997 Supplemental Indenture may be simultaneously executed in several counterparts and all such

counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

IN WITNESS WHEREOF, APPALACHIAN POWER COMPANY, party of the first part, has caused this instrument to be signed in its name and behalf by its President, a Vice President, its Treasurer or an Assistant Treasurer, and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, and BANKERS TRUST COMPANY, party of the second part, in token of its acceptance hereof, has caused this instrument to be signed in its name and behalf by a Vice President or an Assistant Vice President and its corporate seal to be hereunto affixed and attested by its Secretary, an Assistant Secretary, Assistant Vice President or Assistant Treasurer. Executed and delivered as of the date and year first above written.

APPALACHIAN POWER COMPANY

[SEAL]

By: B M Barber  
B. M. Barber  
Assistant Treasurer

Attest:

John M. Adams, Jr.  
John M. Adams, Jr.  
Assistant Secretary

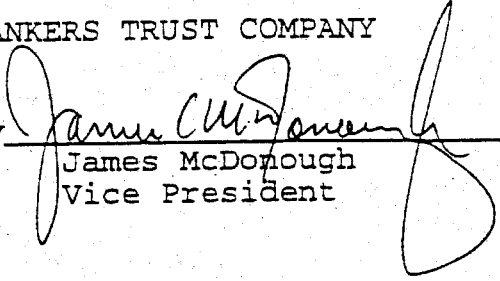
In the presence of:

David C. House  
David C. House  
Ann B. Graf  
Ann B. Graf

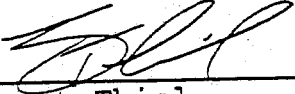
[SEAL]

BANKERS TRUST COMPANY

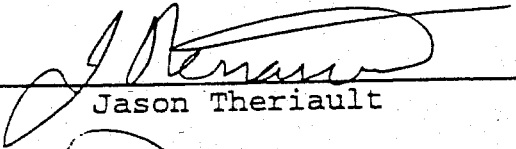
By

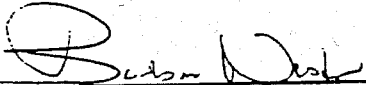
  
James McDonough  
Vice President

Attest:

  
\_\_\_\_\_  
Scott Thiel  
Assistant Vice President

Executed by BANKERS TRUST COMPANY  
in the presence of:

  
\_\_\_\_\_  
Jason Theriault


  
\_\_\_\_\_  
Barbara Nastro

STATE OF OHIO                    )  
                                      )       SS:  
COUNTY OF FRANKLIN        )

On this 14th day of May, 1997, personally appeared before me, a Notary Public within and for said County in the State aforesaid, B. M. BARBER and JOHN M. ADAMS, JR., to me known and known to me to be respectively an Assistant Treasurer and Assistant Secretary of APPALACHIAN POWER COMPANY, one of the corporations named in and which executed the foregoing instrument, who severally acknowledged that they did sign and seal said instrument as such Assistant Treasurer and Assistant Secretary for and on behalf of said corporation and that the same is their free act and deed as such Assistant Treasurer and Assistant Secretary, respectively, and the free and corporate act and deed of said corporation.

In Witness Whereof, I have hereunto set my hand and notarial seal this 14th day of May, 1997.

[Notarial Seal]

  
\_\_\_\_\_  
MARY M. SOLTESZ  
Notary Public, State of Ohio  
My Commission Expires July 12, 1999

STATE OF NEW YORK     )  
                              )     SS:  
COUNTY OF NEW YORK    )

I, PATRICIA M. CARILLO, a Notary Public, duly qualified, commissioned and sworn, and acting in and for the County and State aforesaid, hereby certify that on this 15th day of May, 1997:

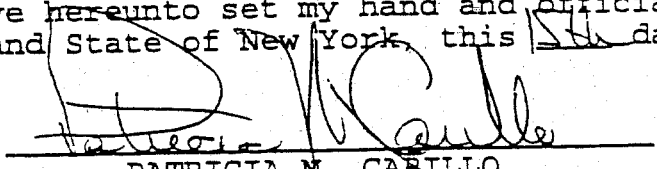
JAMES MC DONOUGH and SCOTT THIEL, whose names are signed to the writing above, bearing a date as of the 1st day of May, 1997, as Vice President and Assistant Vice President, respectively, of BANKERS TRUST COMPANY, have this day acknowledged the same before me in my County aforesaid.

JAMES MC DONOUGH who signed the writing above and hereto annexed for BANKERS TRUST COMPANY, a corporation, bearing a date as of the 1st day of May, 1997, has this day in my said County before me acknowledged the said writing to be the act and deed of said corporation.

Before me appeared JAMES MC DONOUGH and SCOTT THIEL to me personally known, who, being by me duly sworn, did say that they are Vice President and Assistant Vice President, respectively, of BANKERS TRUST COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation, by authority of its Board of Directors and said JAMES MC DONOUGH acknowledged said instrument to be the free act and deed of said corporation.

SCOTT THIEL personally came before me this day and acknowledged that he is an Assistant Vice President of BANKERS TRUST COMPANY, a corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by an Assistant Vice President, sealed with its corporate seal, and attested by himself as an Assistant Vice President.

IN WITNESS WHEREOF, I have hereunto set my hand and official notarial seal, in the County and State of New York, this 15th day of May, 1997.

  
PATRICIA M. CARILLO  
Notary Public, State of New York  
No. 41-4747732  
Qualified in Queens County  
Certificate filed in New York County  
Commission expires May 31, 1997

[SEAL]

The foregoing instrument was prepared by David C. House, 1 Riverside Plaza, Columbus, Ohio 43215.

## SCHEDULE I

APPALACHIAN POWER COMPANY  
FIRST MORTGAGE BOND, DESIGNATED  
SECURED MEDIUM TERM NOTE, 6.71%  
SERIES DUE JUNE 1, 2000

Bond No.

Original Issue Date: May 27, 1997

Principal Amount:

Semi-annual Interest Payment Dates: April 1 and October 1

Record Dates: March 15 and September 15

CUSIP No: 03774B AY9

APPALACHIAN POWER COMPANY, a corporation of the Commonwealth of Virginia (hereinafter called the "Company"), for value received, hereby promises to pay to \_\_\_\_\_, or registered assigns, the Principal Amount set forth above on the maturity date specified in the title of this bond in lawful money of the United States of America, at the office or agency of the Company in the Borough of Manhattan, The City of New York, and to pay to the registered owner hereof interest on said sum from the date of authentication of this bond (herein called the "Issue Date") or latest semi-annual interest payment date to which interest has been paid on the bonds of this series preceding the Issue Date, unless the Issue Date be an interest payment date to which interest is being paid, in which case from the Issue Date or unless the Issue Date be the record date for the interest payment date first following the Original Issue Date set forth above or a date prior to such record date, then from the Original Issue Date (or, if the Issue Date is between the record date for any interest payment date and such interest payment date, then from such interest payment date, provided, however, that if and to the extent that the Company shall default in the payment of the interest due on such interest payment date, then from the next preceding semi-annual interest payment date to which interest has been paid on the bonds of this series, or if such interest payment date is the interest payment date first following the Original Issue Date set forth above, then from the Original Issue Date), until the principal hereof shall have become due and payable, at the rate per annum specified in the title of this bond, payable on April 1 and October 1 of each year (commencing October 1, 1997) and on the maturity date specified in the title of this bond; provided that, at the option of the Company, such interest may be paid by check, mailed to the registered owner of this bond at such owner's address appearing on the register hereof.

This bond is one of a duly authorized issue of bonds of the Company, issuable in series, and is one of a series known as its First Mortgage Bonds, of the series designated in its title, all bonds of all series issued and to be issued under and equally secured (except in so far as any sinking fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford additional security for the bonds of any particular series and except as provided in Section 73 of the Mortgage) by a Mortgage and Deed of Trust (herein, together with all indentures supplemental thereto, called the Mortgage), dated as of December 1, 1940, executed by APPALACHIAN ELECTRIC POWER COMPANY (the corporate title of which was changed to APPALACHIAN POWER COMPANY) to BANKERS TRUST COMPANY, as Trustee, to which Mortgage reference is made for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the bonds and of the Trustee in respect thereof, the duties and immunities of the Trustee, and the terms and conditions upon which the bonds are secured. With the consent of the Company and to the extent permitted by and as provided in the Mortgage, the rights and obligations of the Company and/or of the holders of the bonds and/or coupons and/or the terms and provisions of the Mortgage and/or of any instruments supplemental thereto may be modified or altered by affirmative vote of the holders of at least seventy-five per centum (75%) in principal amount of the bonds affected by such modification or alteration, then outstanding under the Mortgage (excluding bonds disqualified from voting by reason of the Company's interest therein as provided in the Mortgage); provided that, without the consent of the owner hereof no such modification or alteration shall permit the extension of the maturity of the principal of or interest on this bond or the reduction in the rate of interest hereon or any other modification in the terms of payment of such principal or interest or the creation of a lien on the mortgaged and pledged property ranking prior to or on a parity with the lien of the Mortgage or the deprivation of the owner hereof of a lien upon such property or reduce the above percentage.

As provided in said Mortgage, said bonds may be for various principal sums and are issuable in series, which may mature at different times, may bear interest at different rates and may otherwise vary as therein provided, and this bond is one of a series entitled "First Mortgage Bonds, Designated Secured Medium Term Notes, 6.71% Series due June 1, 2000 (herein called "bonds of the 62nd Series") created by an Indenture Supplemental to Mortgage and Deed of Trust dated as of May 1, 1997 (the "Second 1997 Supplemental Indenture"), as provided for in said Mortgage.

The interest payable on any April 1 or October 1 will, subject to certain exceptions provided in said Second 1997 Supplemental Indenture, be paid to the person in whose name this bond is registered at the close of business on the record date, which shall

be the March 15 or September 15, as the case may be, next preceding such interest payment date, or, if such March 15 or September 15 is not a Business Day (as hereinbelow defined), the next preceding Business Day. Interest payable upon maturity shall be payable to the person to whom the principal is paid. The term "Business Day" means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in The City of New York, New York or the city in which is located any office or agency maintained for the payment of principal or premium, if any, or interest on bonds of the 62nd Series are authorized or required by law, regulation or executive order to remain closed.

If any semi-annual interest payment date or the maturity date is not a Business Day, payment of amounts due on such date may be made on the next succeeding Business Day, and, if such payment is made or duly provided for on such Business Day, no interest shall accrue on such amounts for the period from and after such interest payment date or the maturity date, as the case may be, to such Business Day.

The Company and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of principal or (subject to the provisions hereof) interest hereon and for all other purposes and the Company and the Trustee shall not be affected by any notice to the contrary.

The Company shall not be required to make transfers or exchanges of bonds of the 62nd Series for a period of fifteen days next preceding any interest payment date.

The Bonds of the 62nd Series are not redeemable prior to their maturity.

The principal hereof may be declared or may become due prior to the express date of the maturity hereof on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a completed default as in the Mortgage provided.

This bond is transferable as prescribed in the Mortgage by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, and at such other office or agency of the Company as the Company may designate, upon surrender and cancellation of this bond and upon payment, if the Company shall require it, of the transfer charges prescribed in the Mortgage, and, thereupon, a new registered bond or bonds of authorized denominations of the same series for a like principal amount will be issued to the transferee in exchange herefor as provided in the Mortgage. In the manner and upon payment, if the Company shall require it, of the charges prescribed in the Mortgage, registered

bonds of the 62nd Series may be exchanged for a like aggregate principal amount of registered bonds of other authorized denominations of the same series, upon presentation and surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The City of New York, or at such other office or agency of the Company as the Company may from time to time designate.

No recourse shall be had for the payment of the principal of or interest on this bond against any incorporator or any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, stockholders, officers and directors, as such, being waived and released by the holder or owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Mortgage.

This bond shall not become valid or obligatory for any purpose until BANKERS TRUST COMPANY, the Trustee under the Mortgage, or its successor thereunder, shall have signed the form of Authentication Certificate endorsed hereon.

In Witness Whereof, Appalachian Power Company has caused this bond to be executed in its name by the signature of its Chairman of the Board, its President, one of its Vice Presidents or its Treasurer and its corporate seal, or a facsimile thereof, to be impressed or imprinted hereon and attested by the signature of its Secretary or one of its Assistant Secretaries.

Dated:

APPALACHIAN POWER COMPANY

By \_\_\_\_\_  
Treasurer

(SEAL)

Attest: \_\_\_\_\_  
Assistant Secretary

TRUSTEE'S AUTHENTICATION CERTIFICATE

This bond is one of the bonds,  
of the series herein designated,  
described in the within-mentioned  
Mortgage.

BANKERS TRUST COMPANY,  
as Trustee,

By \_\_\_\_\_  
Authorized Officer

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

(PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE)

\_\_\_\_\_  
\_\_\_\_\_  
(PLEASE PRINT OR TYPE NAME AND ADDRESS, INCLUDING ZIP CODE, OF  
ASSIGNEE) the within Bond and all rights thereunder, hereby  
irrevocably constituting and appointing such person attorney to  
transfer such Bond on the books of the Issuer, with full power of  
substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

APPALACHIAN POWER COMPANY

AND

THE FIRST NATIONAL BANK OF CHICAGO,  
as Trustee

-----  
SECOND SUPPLEMENTAL INDENTURE

Dated as of March 1, 1997

TO

INDENTURE

Dated as of September 1, 1996  
-----

8 $\frac{1}{2}$  Junior Subordinated  
Deferrable Interest Debentures,  
Series B, Due 2027

SECOND SUPPLEMENTAL INDENTURE, dated as of the 1st day of March, 1997 (the "Second Supplemental Indenture"), between APPALACHIAN POWER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Virginia (hereinafter sometimes referred to as the "Company"), and THE FIRST NATIONAL BANK OF CHICAGO, a national banking association organized and existing under the laws of the United States, as trustee (hereinafter sometimes referred to as the "Trustee") under the Indenture dated as of September 1, 1996 between the Company and the Trustee, as supplemented by a First Supplemental Indenture dated September 1, 1996 (the "Indenture"); all terms used and not defined herein are used as defined in the Indenture.

WHEREAS, the Company executed and delivered the Indenture to the Trustee to provide for the future issuance of its junior subordinated debentures (the "Debentures"), said Debentures to be issued from time to time in series as might be determined by the Company under the Indenture, in an unlimited aggregate principal amount which may be authenticated and delivered thereunder as in the Indenture provided; and

WHEREAS, pursuant to the terms of the Indenture, the Company desires to provide for the establishment of a new series of its Debentures to be known as its 8% Junior Subordinated Deferrable Interest Debentures, Series B, Due 2027 (said series being hereinafter referred to as the "Series B Debentures"), the form and substance of such Series B Debentures and the terms, provisions and conditions thereof to be set forth as provided in the Indenture and this Second Supplemental Indenture; and

WHEREAS, the Company desires and has requested the Trustee to join with it in the execution and delivery of this Second Supplemental Indenture, and all requirements necessary to make this Second Supplemental Indenture a valid instrument, in accordance with its terms, and to make the Series B Debentures, when executed by the Company and authenticated and delivered by the Trustee, the valid obligations of the Company, have been performed and fulfilled, and the execution and delivery hereof have been in all respects duly authorized;

NOW THEREFORE, in consideration of the purchase and acceptance of the Series B Debentures by the holders thereof, and for the purpose of setting forth, as provided in the Indenture, the form and substance of the Series B Debentures and the terms, provisions and conditions thereof, the Company covenants and agrees with the Trustee as follows:

## ARTICLE ONE

### General Terms and Conditions of the Series B Debentures

SECTION 1.01. There shall be and is hereby authorized a series of Debentures designated the "8% Junior Subordinated Deferrable Interest Debentures, Series B, Due 2027", limited in aggregate principal amount to \$90,000,000, which amount shall be as set forth in any written order of the Company for the authentication and delivery of Series B Debentures pursuant to Section 2.01 of the Indenture. The Series B Debentures shall mature and the principal shall be due and payable together with all accrued and unpaid interest thereon on March 31, 2027, and shall be issued in the form of registered Series B Debentures without coupons.

SECTION 1.02. Except as provided in Section 2.11(c) of the Indenture, the Series B Debentures shall be issued initially in the form of a Global Debenture in an aggregate principal amount equal to all outstanding Series B Debentures, to be registered in the name of the Depository, or its nominee, and delivered by the Trustee to the Depository for crediting to the accounts of its participants pursuant to the instructions of the Company. The Company shall execute a Global Debenture in such aggregate principal amount and deliver the same to the Trustee for authentication and delivery as hereinabove and in the Indenture provided. Payments on the Series B Debentures issued as a Global Debenture will be made to the Depository. The Depository for the Series B Debentures shall be The Depository Trust Company, New York, New York.

SECTION 1.03. If, pursuant to the provisions of Section 2.11(c) of the Indenture, the Series B Debentures are issued in certificated form, principal, premium, if any, and interest on the Series B Debentures will be payable, the transfer of such Series B Debentures will be registrable and such Series B Debentures will be exchangeable for Series B Debentures bearing identical terms and provisions at the office or agency of the Company only upon surrender of such certificated Series B Debenture and such other documents as required by the Indenture; provided, however, that payment of interest may be made at the option of the Company by check mailed to the registered holder at such address as shall appear in the Debenture Register.

SECTION 1.04. Each Series B Debenture shall bear interest at the rate of 8% per annum from the original date of issuance until the principal thereof becomes due and payable, and on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum, payable (subject to the provisions of Article Three hereof) quarterly in arrears on each

March 31, June 30, September 30 and December 31 (each, an "Interest Payment Date"), commencing on March 31, 1997. Interest (other than interest payable on redemption or maturity) shall be payable to the person in whose name such Series B Debenture or any predecessor Series B Debenture is registered at the close of business on the regular record date for such interest installment. The regular record date for such interest installment shall be the close of business on the business day next preceding that Interest Payment Date; except that if, pursuant to the provisions of Section 2.11(c) of the Indenture, the Series B Debentures are no longer represented by a Global Debenture, the regular record date for such interest installment shall be the close of business on the March 15, June 15, September 15 or December 15 (whether or not a business day) next preceding the Interest Payment Date. Interest payable on redemption or maturity shall be payable to the person to whom the principal is paid. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered holders on such regular record date, and may be paid to the person in whose name the Series B Debenture (or one or more Predecessor Debentures) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered holders of the Series B Debentures not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Series B Debentures may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series B Debentures is not a business day, then payment of interest payable on such date will be made on the next succeeding day which is a business day (and without any interest or other payment in respect of any such delay), except that, if such business day is in the next succeeding calendar year, such payment shall be made on the immediately preceding business day, in each case with the same force and effect as if made on such date.

## ARTICLE TWO

### Redemption of the Series B Debentures

SECTION 2.01. Subject to the terms of Article Three of the Indenture, the Company shall have the right to redeem the Series B Debentures, in whole or in part, from time to time, at the time and redemption price set forth in the form of Debenture contained in Exhibit A hereto. Any redemption pursuant to this Section will be made upon not less than 30 nor more than 60 days' notice. If the Series B Debentures are only partially redeemed pursuant to this

Section, the Debentures will be redeemed pro rata or by lot or by any other method utilized by the Trustee; provided, that if at the time of redemption, the Series B Debentures are registered as a Global Debenture, the Depository shall determine by lot the principal amount of such Series B Debentures held by each Series B Debentureholder to be redeemed.

### ARTICLE THREE

#### Extension of Interest Payment Period

SECTION 3.01. The Company shall have the right, at any time during the term of the Series B Debentures, from time to time to extend the interest payment period of such Series B Debentures for up to 20 consecutive quarters (the "Extended Interest Payment Period"), at the end of which period the Company shall pay all interest accrued and unpaid thereon (together with interest thereon compounded quarterly at the rate specified for the Series B Debentures to the extent permitted by applicable law); provided that, during such Extended Interest Payment Period, the Company shall not declare or pay any dividend on, or purchase, acquire or make a liquidation payment with respect to, any of its capital stock or make any guarantee payments with respect to the foregoing. Prior to the termination of any such Extended Interest Payment Period, the Company may further extend such period, provided that such period together with all such previous and further extensions thereof shall not exceed 20 consecutive quarters or extend beyond the maturity of the Series B Debentures. Upon the termination of any Extended Interest Payment Period and upon the payment of all accrued and unpaid interest then due, the Company may select a new Extended Interest Payment Period, subject to the foregoing requirements. No interest shall be due and payable during an Extended Interest Payment Period, except at the end thereof.

SECTION 3.02. (a) The Company shall give the holders of the Series B Debentures and the Trustee written notice of its selection of such Extended Interest Payment Period at least 10 business days prior to the earlier of (i) the next succeeding Interest Payment Date or (ii) the date the Company is required to give notice to holders of the Series B Debentures (or, if applicable, to the New York Stock Exchange or other applicable self-regulatory organization), of the record or payment date of such interest payment, but in any event not less than two business days prior to such record date.

(b) The quarter in which any notice is given pursuant to paragraph (a) of this Section shall constitute one of the 20 quarters which comprise the maximum Extended Interest Payment Period.

## ARTICLE FOUR

### Form of Series B Debenture

SECTION 4.01. The Series B Debentures and the Trustee's Certificate of Authentication to be endorsed thereon are to be substantially in the form of Exhibit A hereto.

## ARTICLE FIVE

### Original Issue of Series B Debentures

SECTION 5.01. Series B Debentures in the aggregate principal amount of \$90,000,000 may, upon execution of this Second Supplemental Indenture, or from time to time thereafter, be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Debentures to or upon the written order of the Company, signed by its Chairman of the Board, its President, or any Vice President and its Treasurer or an Assistant Treasurer, without any further action by the Company.

## ARTICLE SIX

### Covenant of the Company

SECTION 6.01. The Company will not declare or pay any dividend on, or purchase, acquire or make a distribution or liquidation payment with respect to, any of its capital stock, or make any guarantee payments with respect thereto, if at such time (i) there shall have occurred and be continuing any Event of Default under the Indenture or (ii) the Company shall have given notice of its selection of an Extended Interest Payment Period and such period, or any extension thereof, shall be continuing.

## ARTICLE SEVEN

### Miscellaneous Provisions

SECTION 7.01. Except as otherwise expressly provided in this Second Supplemental Indenture or in the form of Series B Debenture or otherwise clearly required by the context hereof or thereof, all terms used herein or in said form of Series B Debenture that are defined in the Indenture shall have the several meanings respectively assigned to them thereby.

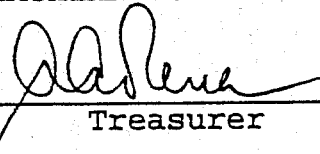
SECTION 7.02. The Indenture, as supplemented by this Second Supplemental Indenture, is in all respects ratified and confirmed, and this Second Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

SECTION 7.03. The recitals herein contained are made by the Company and not by the Trustee, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representation as to the validity or sufficiency of this Second Supplemental Indenture.

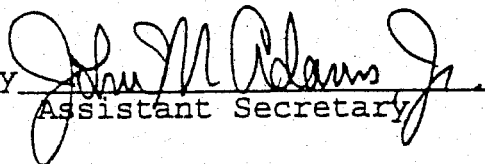
SECTION 7.04. This Second Supplemental Indenture may be executed in any number of counterparts each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, on the date or dates indicated in the acknowledgments and as of the day and year first above written.

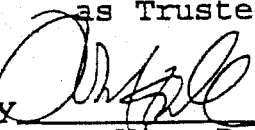
APPALACHIAN POWER COMPANY

By   
Treasurer

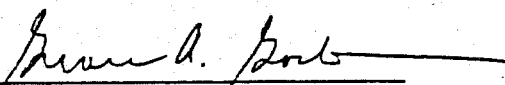
Attest:

By   
Assistant Secretary

THE FIRST NATIONAL BANK OF CHICAGO  
as Trustee

By   
Vice President

Attest:

By   
Authorized Officer

State of Ohio  
County of Franklin, } ss:

On this 14th day of March, 1997, personally appeared before me, a Notary Public within and for said County in the State aforesaid, A. A. Pena and John M. Adams, Jr., to me known and known to me to be respectively Treasurer and Assistant Secretary of APPALACHIAN POWER COMPANY, one of the corporations named in and which executed the foregoing instrument, who severally acknowledged that they did sign and seal said instrument as such Treasurer and Assistant Secretary for and on behalf of said corporation and that the same is their free act and deed as such Treasurer and Assistant Secretary, respectively, and the free and corporate act and deed of said corporation.

In Witness Whereof, I have hereunto set my hand and notarial seal this 14th day of March, 1997.

[Notarial Seal]

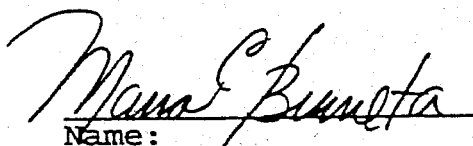
*Mary M. Soltesz*  
\_\_\_\_\_  
MARY M. SOLTESZ  
Notary Public, State of Ohio  
My Commission Expires 7-12-99

State of Illinois }  
County of Cook } ss:

Be it remembered, that on this 13<sup>TH</sup> day of March, 1997, personally appeared before me the undersigned, a Notary Public within and for said County and State, THE FIRST NATIONAL BANK OF CHICAGO, one of the corporations named in and which executed the foregoing instrument, by Richard D. Manella, one of its Vice Presidents, and by Grace A. Gorka, one of its Authorized Officers, to me known and known by me to be such Vice President and Authorized Officer, respectively, who severally duly acknowledged the signing and sealing of the foregoing instrument to be their free act and voluntary deed, and the free act and voluntary deed of each of them as such Vice President and Authorized Officer, respectively, and the free act and voluntary deed of said corporation, for the uses and purposes therein expressed and mentioned.

In Witness Whereof, I have hereunto set my hand and notarial seal this 13<sup>TH</sup> day of March, 1997.

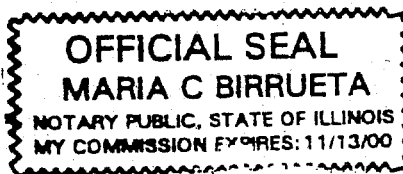
[Notarial Seal]



Name:

Notary Public, State of \_\_\_\_\_

My Commission Expires \_\_\_\_\_



## (FORM OF FACE OF DEBENTURE)

[IF THE SERIES B DEBENTURE IS TO BE A GLOBAL DEBENTURE, INSERT  
- This Debenture is a Global Debenture within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depository or a nominee of a Depository. This Debenture is exchangeable for Debentures registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Indenture, and no transfer of this Debenture (other than a transfer of this Debenture as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Debenture is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any Debenture issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC and any payment hereon is made to Cede & Co., or to such other entity as is requested by an authorized representative of DTC, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

No. \_\_\_\_\_

\$ \_\_\_\_\_

CUSIP No. \_\_\_\_\_

## APPALACHIAN POWER COMPANY

8% JUNIOR SUBORDINATED  
DEFERRABLE INTEREST DEBENTURE,  
SERIES B, DUE 2027

APPALACHIAN POWER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Virginia (herein referred to as the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to \_\_\_\_\_ or registered assigns, the principal sum of \_\_\_\_\_ Dollars on March 31, 2027, and to pay interest on said principal sum from March 18, 1997 or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, quarterly (subject to deferral as set forth herein) in arrears on each March 31, June 30, September 30 and December 31

commencing March 31, 1997 at the rate of 8% per annum until the principal hereof shall have become due and payable, and on any overdue principal and premium, if any, and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum during such overdue period. Interest shall be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Debenture is not a business day, then payment of interest payable on such date will be made on the next succeeding day which is a business day (and without any interest or other payment in respect of any such delay), except that, if such business day is in the next succeeding calendar year, such payment shall be made on the immediately preceding business day, in each case with the same force and effect as if made on such date. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than interest payable on redemption or maturity) will, as provided in the Indenture, be paid to the person in whose name this Debenture (or one or more Predecessor Debentures, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment, [which shall be the close of business on the business day next preceding such Interest Payment Date.] [IF PURSUANT TO THE PROVISIONS OF SECTION 2.11(C) OF THE INDENTURE THE SERIES B DEBENTURES ARE NO LONGER REPRESENTED BY A GLOBAL DEBENTURE -- which shall be the close of business on the March 15, June 15, September 15 or December 15 (whether or not a business day) next preceding such Interest Payment Date.] Interest payable on redemption or maturity shall be payable to the person to whom the principal is paid. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered holders on such regular record date, and may be paid to the person in whose name this Debenture (or one or more Predecessor Debentures) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered holders of this series of Debentures not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Debentures may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. The principal of (and premium, if any) and the interest on this Debenture shall be payable at the office or agency of the Company maintained for that purpose, in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the registered holder at such address as shall appear in the Debenture Register.

Payment of the principal of, premium, if any, and interest on this Debenture is, to the extent provided in the Indenture, subordinated and subject in right of payment to the prior payment in full of all Senior Indebtedness, as defined in the Indenture, and this Debenture is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Debenture, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his or her behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided and (c) appoints the Trustee his or her attorney-in-fact for any and all such purposes. Each Holder hereof, by his or her acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

This Debenture shall not be entitled to any benefit under the Indenture hereinafter referred to, be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

Unless the Certificate of Authentication hereon has been executed by the Trustee or a duly appointed Authentication Agent referred to on the reverse side hereof, this Debenture shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

The provisions of this Debenture are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Instrument to be executed.

Dated \_\_\_\_\_

APPALACHIAN POWER COMPANY

By \_\_\_\_\_

Attest:

By \_\_\_\_\_

(FORM OF CERTIFICATE OF AUTHENTICATION)

CERTIFICATE OF AUTHENTICATION

This is one of the Debentures of the series of Debentures described in the within-mentioned Indenture.

THE FIRST NATIONAL BANK OF CHICAGO  
as Trustee or as Authentication Agent

By \_\_\_\_\_  
Authorized Signatory

(FORM OF REVERSE OF DEBENTURE)

This Debenture is one of a duly authorized series of Debentures of the Company (herein sometimes referred to as the "Debentures"), specified in the Indenture, all issued or to be issued in one or more series under and pursuant to an Indenture dated as of September 1, 1996 duly executed and delivered between the Company and The First National Bank of Chicago, a national banking association organized and existing under the laws of the United States, as Trustee (herein referred to as the "Trustee"), as supplemented by the First Supplemental Indenture dated as of September 1, 1996 and the Second Supplemental Indenture dated as of March 1, 1997 between the Company and the Trustee (said Indenture as so supplemented being hereinafter referred to as the "Indenture"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the holders of the Debentures. By the terms of the Indenture, the Debentures are issuable in series which may vary as to amount, date of maturity, rate of interest and in other respects as in the Indenture provided. This series of Debentures is limited in aggregate principal amount as specified in said Second Supplemental Indenture.

Subject to the terms of Article Three of the Indenture, the Company shall have the right to redeem this Debenture at the option of the Company, without premium or penalty, in whole or in part at any time on or after March 18, 2002 (an "Optional Redemption"), at a redemption price equal to 100% of the principal amount plus any accrued but unpaid interest to the date of such redemption (the "Optional Redemption Price"). Any redemption pursuant to this paragraph will be made upon not less than 30 nor more than 60 days' notice, at the Optional Redemption Price. If the Debentures are only partially redeemed by the Company pursuant to an Optional Redemption, the Debentures will be redeemed pro rata or by lot or

by any other method utilized by the Trustee; provided that if at the time of redemption, the Debentures are registered as a Global Debenture, the Depository shall determine by lot the principal amount of such Debentures held by each Debentureholder to be redeemed.

In the event of redemption of this Debenture in part only, a new Debenture or Debentures of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all of the Debentures may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of this Debenture upon compliance by the Company with certain conditions set forth therein.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Debentures of each series affected at the time outstanding, as defined in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Debentures; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of any Debentures of any series, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the holder of each Debenture so affected or (ii) reduce the aforesaid percentage of Debentures, the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of each Debenture then outstanding and affected thereby. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Debentures of all series at the time outstanding affected thereby, on behalf of the Holders of the Debentures of such series, to waive any past default in the performance of any of the covenants contained in the Indenture, or established pursuant to the Indenture with respect to such series, and its consequences, except a default in the payment of the principal of or premium, if any, or interest on any of the Debentures of such series. Any such consent or waiver by the registered Holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Debenture and of any Debenture issued in exchange herefor or in place hereof (whether by registration of transfer or

otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Debenture.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Debenture at the time and place and at the rate and in the money herein prescribed.

The Company shall have the right at any time during the term of the Debentures, from time to time to extend the interest payment period of such Debentures for up to 20 consecutive quarters (the "Extended Interest Payment Period"), at the end of which period the Company shall pay all interest then accrued and unpaid (together with interest thereon compounded quarterly at the rate specified for the Debentures to the extent that payment of such interest is enforceable under applicable law); provided that, during such Extended Interest Payment Period the Company shall not declare or pay any dividend on, or purchase, acquire or make a liquidation payment with respect to, any of its capital stock, or make any guarantee payments with respect thereto. Prior to the termination of any such Extended Interest Payment Period, the Company may further extend such Extended Interest Payment Period, provided that such Period together with all such previous and further extensions thereof shall not exceed 20 consecutive quarters or extend beyond the maturity of the Debentures. At the termination of any such Extended Interest Payment Period and upon the payment of all accrued and unpaid interest and any additional amounts then due, the Company may select a new Extended Interest Payment Period.

As provided in the Indenture and subject to certain limitations therein set forth, this Debenture is transferable by the registered holder hereof on the Debenture Register of the Company, upon surrender of this Debenture for registration of transfer at the office or agency of the Company accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee duly executed by the registered Holder hereof or his or her attorney duly authorized in writing, and thereupon one or more new Debentures of authorized denominations and for the same aggregate principal amount and series will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Debenture, the Company, the Trustee, any paying agent and any Debenture Registrar may deem and treat the registered Holder hereof as the absolute owner hereof (whether or not this Debenture shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Debenture Registrar) for the

purpose of receiving payment of or on account of the principal hereof and premium, if any, and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Debenture Registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or the interest on this Debenture, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

[The Debentures of this series are issuable only in registered form without coupons in denominations of \$25 and any integral multiple thereof.] [This Global Debenture is exchangeable for Debentures in definitive form only under certain limited circumstances set forth in the Indenture. Debentures of this series so issued are issuable only in registered form without coupons in denominations of \$25 and any integral multiple thereof.] As provided in the Indenture and subject to certain limitations [herein and] therein set forth, Debentures of this series [so issued] are exchangeable for a like aggregate principal amount of Debentures of this series of a different authorized denomination, as requested by the Holder surrendering the same.

All terms used in this Debenture which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

(PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE)

\_\_\_\_\_  
\_\_\_\_\_  
(PLEASE PRINT OR TYPE NAME AND ADDRESS, INCLUDING ZIP CODE, OF  
ASSIGNEE) the within Debenture and all rights thereunder, hereby  
irrevocably constituting and appointing such person attorney to  
transfer such Debenture on the books of the Issuer, with full  
power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within Debenture in every particular, without alteration or enlargement or any change whatever and NOTICE: Signature(s) must be guaranteed by a financial institution that is a member of the Securities Transfer Agents Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP") or the New York Stock Exchange, Inc. Medallion Signature Program ("MSP").

August 20, 2001

Company Order and Officers' Certificate  
Floating Rate Notes, Series B, due 2003

The Bank of New York, as Trustee  
101 Barclay Street  
New York, New York 10286  
Attention: Corporate Trust Administration

Ladies and Gentlemen:

Pursuant to Article Two of the Indenture, dated as of January 1, 1998 (as it may be amended or supplemented, the "Indenture"), from Appalachian Power Company (the "Company") to The Bank of New York, as trustee (the "Trustee"), and the Board Resolutions dated December 13, 2000, a copy of which certified by the Secretary or an Assistant Secretary of the Company is being delivered herewith under Section 2.01 of the Indenture, and unless otherwise provided in a subsequent Company Order pursuant to Section 2.04 of the Indenture,

1. The Company's Floating Rate Notes, Series B, due 2003 (the "Notes") are hereby established. The Notes shall be in substantially the form attached hereto as Exhibit 1.

2. The terms and characteristics of the Notes shall be as follows (the numbered clauses set forth below correspond to the numbered subsections of Section 2.01 of the Indenture, with terms used and not defined herein having the meanings specified in the Indenture or in the Notes):

(i) the aggregate principal amount of Notes which may be authenticated and delivered under the Indenture shall be limited to \$125,000,000, except as contemplated in Section 2.01(i) of the Indenture;

(ii) the date on which the principal of the Notes shall be payable shall be August 20, 2003 ("Stated Maturity");

(iii) interest on the Notes shall be payable on February 20, May 20, August 20 and November 20 of each year (each, an "Interest Payment Date"), commencing on November 20, 2001 and shall accrue from and including the date of authentication of the Notes to, but excluding November 20, 2001, and thereafter, from and including each Interest Payment Date to, but excluding, the next succeeding Interest Payment Date or Stated Maturity, as the case may be; the Regular Record Date for the determination of holders to whom interest is payable on any such Interest Payment Date shall be the fifteenth calendar day preceding the relevant Interest Payment Date; provided that interest payable on Stated Maturity shall be paid to the Person to whom principal shall be paid;

(iv) the Notes will bear interest at a per annum rate ("Interest Rate") determined by the Calculation Agent, subject to the maximum interest rate permitted by New York or other applicable state law, as such law may be modified by United States law of general application. The Interest Rate for each Interest Period will be equal to LIBOR on the Interest Determination Date for such Interest Period plus .70%; provided, however, that in certain circumstances described below, the Interest Rate will be determined without reference to LIBOR.

If the following circumstances exist on any Interest Determination Date, the Calculation Agent shall determine the Interest Rate for the Notes as follows:

(1) In the event no Reported Rate appears on Telerate Page 3750 as of approximately 11:00 a.m. London time on an Interest Determination Date, the Calculation Agent shall request the principal London offices of each of four major banks in the London interbank market selected by the Calculation Agent (after consultation with the Company) to provide a quotation of the rate (the "Rate Quotation") at which three month deposits in amounts of not less than \$1,000,000 are offered by it to prime banks in the London interbank market, as of approximately 11:00 a.m. on such Interest Determination Date, that is representative of single transactions at such time (the "Representative Amounts"). If at least two Rate Quotations are provided, the interest rate will be the arithmetic mean of the Rate Quotations obtained by the Calculation Agent, plus .70%.

(2) In the event no Reported Rate appears on Telerate Page 3750 as of approximately 11:00 a.m. London time on an Interest Determination Date and there are fewer than two Rate Quotations, the interest rate will be the arithmetic mean of the rates quoted at approximately 11:00 a.m. New York City time on such Interest Determination Date, by three major banks in New

York City selected by the Calculation Agent (after consultation with the Company), for loans in Representative Amounts in U. S. dollars to leading European banks, having an index maturity of three months for a period commencing on the second London Business Day immediately following such Interest Determination Date, plus .70%; provided, however, that if fewer than three banks selected by the Calculation Agent are quoting such rates, the interest rate for the applicable Interest Period will be the same as the interest rate in effect for the immediately preceding Interest Period.

(v) All or part of the Notes may be redeemed prior to their maturity on any Interest Payment Date on or after February 20, 2002, at the option of the Company, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to the principal amount of the Notes to be redeemed plus interest accrued to the redemption date. The Notes are not subject to the benefits of any sinking fund.

(vi)(a) the Notes shall be issued in the form of a Global Note; (b) the Depositary for such Global Note shall be The Depositary Trust Company; and (c) the procedures with respect to transfer and exchange of Global Notes shall be as set forth in the form of Note attached hereto;

(vii) the title of the Notes shall be "Floating Rate Notes, Series B, due 2003";

(viii) the form of the Notes shall be as set forth in Paragraph 1, above;

(ix) see item (iv) above;

(x) the Notes shall not be subject to a Periodic Offering;

(xi) not applicable;

(xii) not applicable;

(xiii) not applicable;

(xiv) the Notes shall be issuable in denominations of \$1,000 and any integral multiple thereof;

(xv) not applicable;

(xvi) the Notes shall not be issued as Discount Securities;

(xvii) not applicable;

(xviii) see item (iv) above; and

(xix) not applicable.

3. You are hereby requested to authenticate \$125,000,000 aggregate principal amount of Floating Rate Notes, Series B, due 2003, executed by the Company and delivered to you concurrently with this Company Order and Officers' Certificate, in the manner provided by the Indenture.

4. You are hereby requested to hold the Notes as custodian for DTC in accordance with the Letter of Representations dated August 15, 2001, from the Company and the Trustee to DTC.

5. Concurrently with this Company Order and Officers' Certificate, an Opinion of Counsel under Sections 2.04 and 13.06 of the Indenture is being delivered to you.

6. The undersigned A. A. Pena and Thomas G. Berkemeyer, the Treasurer and Assistant Secretary, respectively, of the Company do hereby certify that:

(i) we have read the relevant portions of the Indenture, including without limitation the conditions precedent provided for therein relating to the action proposed to be taken by the Trustee as requested in this Company Order and Officers' Certificate, and the definitions in the Indenture relating thereto;

(ii) we have read the Board Resolutions of the Company and the Opinion of Counsel referred to above;

(iii) we have conferred with other officers of the Company, have examined such records of the Company and have made such other investigation as we deemed relevant for purposes of this certificate;

(iv) in our opinion, we have made such examination or investigation as is necessary to enable us to express an informed opinion as to whether or not such conditions have been complied with; and

(v) on the basis of the foregoing, we are of the opinion that all conditions precedent provided for in the Indenture relating to the action proposed to be taken by the Trustee as requested herein have been complied with.

Kindly acknowledge receipt of this Company Order and Officers' Certificate, including the documents listed herein, and confirm the arrangements set forth herein by signing and returning the copy of this document attached hereto.

Very truly yours,

APPALACHIAN POWER COMPANY

By: /s/ A. A. Pena  
Treasurer

And: /s/ Thomas G. Berkemeyer  
Assistant Secretary

Acknowledged by Trustee:

THE BANK OF NEW YORK

By: /s/ Terence Rawlins  
Vice President

Exhibit D

APPALACHIAN POWER COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
	(in thousands)			
OPERATING REVENUES	<u>\$2,017,159</u>	<u>\$1,538,340</u>	<u>\$5,840,590</u>	<u>\$4,020,792</u>
OPERATING EXPENSES:				
Fuel	91,594	88,769	272,119	279,989
Purchased Power	1,666,443	1,191,737	4,765,476	2,987,568
Other Operation	76,197	72,297	210,034	194,504
Maintenance	31,812	29,369	98,663	86,683
Depreciation and Amortization	46,177	42,798	133,950	120,035
Taxes Other Than Federal Income Taxes	29,275	30,088	91,118	89,550
Federal Income Taxes	<u>15,280</u>	<u>17,532</u>	<u>61,335</u>	<u>60,259</u>
TOTAL OPERATING EXPENSES	<u>1,956,778</u>	<u>1,472,590</u>	<u>5,632,695</u>	<u>3,818,588</u>
OPERATING INCOME	60,381	65,750	207,895	202,204
NONOPERATING INCOME (LOSS)	<u>(918)</u>	<u>2,399</u>	<u>11,905</u>	<u>6,607</u>
INCOME BEFORE INTEREST CHARGES	59,463	68,149	219,800	208,811
INTEREST CHARGES	<u>29,146</u>	<u>32,037</u>	<u>91,277</u>	<u>94,795</u>
INCOME BEFORE EXTRAORDINARY ITEM	30,317	36,112	128,523	114,016
EXTRAORDINARY GAIN – DISCONTINUANCE OF SFAS 71 (INCLUSIVE OF TAX BENEFIT OF \$7,872,000)	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,938</u>
NET INCOME	30,317	36,112	128,523	122,954
PREFERRED STOCK DIVIDEND REQUIREMENTS	<u>502</u>	<u>750</u>	<u>1,508</u>	<u>2,015</u>
EARNINGS APPLICABLE TO COMMON STOCK	<u>\$ 29,815</u>	<u>\$ 35,362</u>	<u>\$ 127,015</u>	<u>\$ 120,939</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
	(in thousands)			
NET INCOME	\$30,317	\$36,112	\$128,523	\$122,954
OTHER COMPREHENSIVE INCOME				
Foreign Currency Exchange Rate Hedge	673	—	44	—
COMPREHENSIVE INCOME	<u>\$30,990</u>	<u>\$36,112</u>	<u>\$128,567</u>	<u>\$122,954</u>

The common stock of the Company is wholly owned by AEP.  
See Notes to Financial Statements beginning on page L-1.

**APPALACHIAN POWER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**  
**(UNAUDITED)**

	Three Months Ended September 30, <u>2001</u>	2000 (in thousands)	Nine Months Ended September 30, <u>2001</u>	2000 <u>2000</u>
BALANCE AT BEGINNING OF PERIOD	\$152,987	\$198,126	\$120,584	\$175,854
NET INCOME	30,317	36,112	128,523	122,954
DEDUCTIONS:				
Cash Dividends Declared:				
Common Stock	32,399	31,653	97,196	94,959
Cumulative Preferred Stock	361	375	1,082	1,425
Capital Stock Expense	<u>141</u>	<u>375</u>	<u>426</u>	<u>589</u>
BALANCE AT END OF PERIOD	<u>\$150,403</u>	<u>\$201,835</u>	<u>\$150,403</u>	<u>\$201,835</u>

The common stock of the Company is wholly owned by AEP.

See Notes to Financial Statements beginning on page L-1.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

September 30, 2001      December 31, 2000  
(in thousands)

**ASSETS**

**ELECTRIC UTILITY PLANT:**

Production	\$2,072,425	\$2,058,952
Transmission	1,214,697	1,177,079
Distribution	1,862,101	1,816,925
General	258,285	254,371
Construction Work in Progress	<u>151,705</u>	<u>110,951</u>
Total Electric Utility Plant	5,559,213	5,418,278
Accumulated Depreciation and Amortization	<u>2,271,949</u>	<u>2,188,796</u>
NET ELECTRIC UTILITY PLANT	<u>3,287,264</u>	<u>3,229,482</u>

**OTHER PROPERTY AND INVESTMENTS**

55,992      56,967

**LONG-TERM ENERGY TRADING CONTRACTS**

370,807      322,688

**CURRENT ASSETS:**

Cash and Cash Equivalents	28,766	5,847
Advances to Affiliates	-	8,387
Accounts Receivable:		
Customers	132,169	243,298
Affiliated Companies	68,088	63,919
Miscellaneous	17,285	16,179
Allowance for Uncollectible Accounts	(1,868)	(2,588)
Fuel – at average cost	47,862	39,076
Materials and Supplies – at average cost	60,891	57,515
Accrued Utility Revenues	19,844	66,499
Energy Trading Contracts	918,417	2,036,001
Prepayments	<u>13,364</u>	<u>6,307</u>
TOTAL CURRENT ASSETS	<u>1,304,818</u>	<u>2,540,440</u>

**REGULATORY ASSETS**

439,075      447,750

**DEFERRED CHARGES**

26,940      48,826

**TOTAL ASSETS**

\$5,484,896      \$6,646,153

See Notes to Financial Statements beginning on page L-1.

APPALACHIAN POWER COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

September 30, 2001      December 31, 2000  
(in thousands)

**CAPITALIZATION AND LIABILITIES**

**CAPITALIZATION:**

Common Stock – No Par Value:

Authorized – 30,000,000 Shares

Outstanding – 13,499,500 Shares

\$ 260,458

\$ 260,458

Paid-in Capital

715,644

715,218

Accumulated Other Comprehensive Income

44

-

Retained Earnings

150,403

120,584

Total Common Shareowner's Equity

1,126,549

1,096,260

Cumulative Preferred Stock:

Not Subject to Mandatory Redemption

17,790

17,790

Subject to Mandatory Redemption

10,860

10,860

Long-term Debt

1,506,285

1,430,812

**TOTAL CAPITALIZATION**

2,661,484

2,555,722

**OTHER NONCURRENT LIABILITIES**

89,099

105,883

**CURRENT LIABILITIES:**

Long-term Debt Due Within One Year

50,007

175,006

Short-term Debt

-

191,495

Advances from Affiliates

209,538

-

Accounts Payable – General

139,439

153,422

Accounts Payable – Affiliated Companies

86,989

107,556

Taxes Accrued

77,888

63,258

Customer Deposits

17,225

12,612

Interest Accrued

40,659

21,555

Energy Trading Contracts

863,309

2,091,804

Other

80,355

85,378

**TOTAL CURRENT LIABILITIES**

1,565,409

2,902,086

**DEFERRED INCOME TAXES**

720,630

682,474

**DEFERRED INVESTMENT TAX CREDITS**

39,775

43,093

**LONG-TERM ENERGY TRADING CONTRACTS**

319,544

259,438

**REGULATORY LIABILITIES AND DEFERRED CREDITS**

88,955

97,457

**CONTINGENCIES (Note 8)**

**TOTAL CAPITALIZATION AND LIABILITIES**

\$5,484,896

\$6,646,153

See Notes to Financial Statements beginning on page L-1.